

*Village of Melvin*

**Sanilac County, Michigan**

**Audited Financial Report**

**February 28, 2005**

*Lehn L. King*

**Certified Public Accountant  
Marlette, Michigan**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Melvin</b>	County <b>Sanilac</b>
Audit Date <b>5/2/05</b>	Opinion Date <b>5/2/05</b>	Date Accountant Report Submitted to State: <b>5/5/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

**Lehn L. King, C.P.A.**

Street Address

**3531 Main Street**

City

**Marlette**

State

**MI**

ZIP

**48453**

Accountant Signature

Date

**5/5/05**

**Village of Melvin**  
Annual Financial Report  
For The Fiscal Year Ended February 28, 2005

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LEHN L. KING

CERTIFIED PUBLIC ACCOUNTANT

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3531 MAIN STREET  
MARLETTE, MICHIGAN 48453

Members of the Village Council  
**Village of Melvin**  
Sanilac County, Michigan

**Independent Auditor's Report**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Melvin, Michigan as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Melvin, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Melvin, Michigan as of February 28, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Melvin, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of March 1, 2004.

*Lehn King*

Lehn L. King  
Certified Public Accountant

May 2, 2005

**VILLAGE OF MELVIN**  
**1247 Main Street**  
**Melvin, Michigan**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER**

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Our discussion and analysis of the Village of Melvin's financial performance provides an overview of the Village's financial activities for the fiscal year ended February 28, 2005. Please read it in conjunction with the Village's financial statements.

**Financial Highlights**

- Street Funds are accumulating funds to rebuild the Major and Local Streets. The combined cash in the two funds is \$248,047.

**Using this Report**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Village's annual report.

**The Village as a Whole**

The Village of Melvin ended the fiscal year February 28, 2005, with cash in the bank of General Fund \$18,903, Major Fund \$229,144, Local Fund \$35,734, Cemetery Fund \$9,635 and Police Fund \$250.

**Governmental Activities**

The Village of Melvin's total government revenues were approximately \$70,000 the year ending February 28, 2005, with General Fund collecting \$30,000 and the Street Fund Collecting \$37,674.

The largest expenditure of the Village was repairs and maintenance, which totaled \$6,795. This included Village Hall windows at \$1,220, tree removal \$1,700, Pavilion roof of \$1,874, and electrical work of \$1600.

Other major expenditures for the General Fund were Trash pick-up of \$4,270, Insurance \$3,070, Park and Cemetery mowing \$2,928 and Street Lights \$3,348.

The Street Fund spent a minimal amount of funds for routine and winter maintenance. However, the majority of the street money received is being accumulated for future street work.

# Village of Melvin

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## **Economic Factors and Next Year's Budget and Rates**

The Village of Melvin budget for next year for the General Fund expenditures is \$27,228. This is approximately the same budget as a year ago. Future activities of the Village seem to be consistent with past years.

## **Contacting the Village**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Village office at 1247 Main Street, Melvin, Michigan.

William Sugg  
Village of Melvin President

**Village of Melvin**  
Statement of Net Assets (Deficit)  
February 28, 2005

	<u>Primary Government Governmental Activities</u>
<b><u>Assets</u></b>	
Cash & Cash Equivalents	\$ 293,666.07
Due From Other Governmental Units	-
Capital Assets	
Nondepreciable Capital Assets	-
Depreciable Capital Assets	-
	<hr/>
Total Assets	293,666.07
<b><u>Liabilities</u></b>	
Accounts Payable	-
Due To Other Governmental Units	-
Accrued Interest Payable	-
Current Portion of Long-Term Debt	-
Noncurrent Liabilities:	
Long-Term Debt	-
	<hr/>
<b><u>Total Liabilities</u></b>	<hr/>
<b>Net Assets (Deficit)</b>	
Invested in Capital Assets - Net of Related Debt	-
Restricted:	
Unrestricted	293,666.07
	<hr/>
<b><u>Total Net Assets (Deficit)</u></b>	<b><u>\$ 293,666.07</u></b>

The notes are an integral part of the statements.

**Village of Melvin**  
Statement of Activities  
For the Year Ended February, 28, 2005

Functions/Programs Primary Government:	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets Primary Government Governmental Activities
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Governmental Activities:					
General Government	\$ 20,031.98	\$ 1,650.00	\$ -	\$ -	\$ (18,381.98)
Public Safety	3,890.74	-	247.50	-	(3,643.24)
Public Works	7,002.98	-	30,504.50	-	23,501.52
Recreation & Culture	2,927.82	-	-	-	(2,927.82)
Total Primary Government	\$ 33,853.52	\$ 1,650.00	\$ 30,752.00	\$ -	\$ (1,451.52)
General Revenues:					
Property Taxes					\$ 18,468.95
State Shared Revenues					15,001.02
Interest					3,197.93
Other Revenues					865.00
Transfers					-
Total General Revenues, Special Items & Transfers					37,532.90
Change in Net Assets					36,081.38
Net Assets (Deficit) - Beginning of Year					257,584.69
Net Assets (Deficit) - End of Year					\$ 293,666.07

The notes are an integral part of the statements.



**Village of Melvin**  
Balance Sheet  
Governmental Funds  
February 28, 2005

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Local Streets Fund</u>	<u>Cemetery Fund</u>	<u>Police Fund</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>						
Cash & Cash Equivalents	\$ 18,902.72	\$ 229,143.91	\$ 35,733.66	\$ 9,635.63	\$ 250.15	\$ 293,666.07
Due From Other Funds	-	-	-	-	-	-
<b><u>Total Assets</u></b>	<b><u>\$ 18,902.72</u></b>	<b><u>\$ 229,143.91</u></b>	<b><u>\$ 35,733.66</u></b>	<b><u>\$ 9,635.63</u></b>	<b><u>\$ 250.15</u></b>	<b><u>\$ 293,666.07</u></b>
<b><u>Liabilities &amp; Fund Equity</u></b>						
<b><u>Liabilities</u></b>						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due To Other Funds	-	-	-	-	-	-
<b><u>Total Liabilities</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b><u>Fund Equity</u></b>						
Fund Balances:						
Unreserved - Undesignated	18,902.72	229,143.91	35,733.66	9,635.63	250.15	293,666.07
<b><u>Total Fund Equity</u></b>	<b><u>18,902.72</u></b>	<b><u>229,143.91</u></b>	<b><u>35,733.66</u></b>	<b><u>9,635.63</u></b>	<b><u>250.15</u></b>	<b><u>293,666.07</u></b>
<b><u>Total Liab. &amp; Fund Equity</u></b>	<b><u>\$ 18,902.72</u></b>	<b><u>\$ 229,143.91</u></b>	<b><u>\$ 35,733.66</u></b>	<b><u>\$ 9,635.63</u></b>	<b><u>\$ 250.15</u></b>	<b><u>\$ 293,666.07</u></b>

The notes are an integral part of the statements.

**Village of Melvin**  
Governmental Funds  
Reconciliation of Fund Balances to the  
Statement of Net Assets (Deficit)  
For The Year Ended February 28, 2005

**Total Fund Balances for Governmental Funds** **\$ 293,666.07**

Amounts reported for governmental activities in the statement of  
net assets (deficit) are different because:

Capital Assets used in Governmental Activities are not financial  
resources and are not reported in the Funds -

Long-term bonds payable are not due and payable in the current  
period and are not reported in the Funds -

Accrued Interest Payable is not reported in the Funds -

**Net Assets of Governmental Activities** **\$ 293,666.07**

The notes are an integral part of the statements.

**Village of Melvin**  
Statement of Revenues, Expenditures  
And Changes in Fund Balances  
Governmental Funds  
For The Year Ended February 28, 2005

<u>Revenues</u>	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Local Streets Fund</u>	<u>Cemetery Fund</u>	<u>Police Fund</u>	<u>Total Governmental Funds</u>
Property Taxes	\$ 14,679.05	\$ 1,894.95	\$ 1,894.95	\$ -	\$ -	\$ 18,468.95
Intergovernmental Revenues	15,001.02	28,123.26	2,381.24	-	247.50	45,753.02
Rent	285.00	-	-	-	-	285.00
Charges for Services	-	-	-	1,650.00	-	1,650.00
Interest Earnings	-	2,820.06	353.11	24.76	-	3,197.93
Grant Proceeds	-	-	-	-	-	-
Other Revenues	20.00	560.00	-	-	-	580.00
<u>Total Revenues</u>	<u>29,985.07</u>	<u>33,398.27</u>	<u>4,629.30</u>	<u>1,674.76</u>	<u>247.50</u>	<u>69,934.90</u>
<u>Expenditures</u>						
General Government	16,993.98	-	-	3,038.00	-	20,031.98
Public Safety	3,640.74	-	-	-	250.00	3,890.74
Public Works	5,002.98	1,150.00	850.00	-	-	7,002.98
Recreation & Culture	2,927.82	-	-	-	-	2,927.82
Capital Outlay	-	-	-	-	-	-
Construction & Development	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<u>Total Expenditures</u>	<u>28,565.52</u>	<u>1,150.00</u>	<u>850.00</u>	<u>3,038.00</u>	<u>250.00</u>	<u>33,853.52</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>1,419.55</u>	<u>32,248.27</u>	<u>3,779.30</u>	<u>(1,363.24)</u>	<u>(2.50)</u>	<u>36,081.38</u>
<u>Other Financing Sources (Uses)</u>						
Transfers In (Out)	-	-	-	-	-	-
<u>Net Change in Fund Balances</u>	<u>1,419.55</u>	<u>32,248.27</u>	<u>3,779.30</u>	<u>(1,363.24)</u>	<u>(2.50)</u>	<u>36,081.38</u>
<u>Fund Balances - Beginning of Year</u>	<u>17,483.17</u>	<u>196,895.64</u>	<u>31,954.36</u>	<u>10,998.87</u>	<u>252.65</u>	<u>257,584.69</u>
<u>Fund Balances - End of Year</u>	<u>\$ 18,902.72</u>	<u>\$ 229,143.91</u>	<u>\$ 35,733.66</u>	<u>\$ 9,635.63</u>	<u>\$ 250.15</u>	<u>\$ 293,666.07</u>

The notes are an integral part of the statements.

**Village of Melvin**  
Governmental Funds  
Reconciliation of Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For The Year Ended February 28, 2005

**Net Change in Fund Balances - Total Governmental Funds** **\$ 36,081.38**

Amounts reported for Governmental Activities in the Statement of  
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures;  
in the Statement of Activities, these costs are capitalized and  
allocated over their estimated useful lives as Depreciation -

Repayment of Bond Principal is and Expenditure in the Governmental  
Funds, but not in the Statement of Activities (where it  
reduces Long-Term Debt) -

Interest Expense is reported in the Statement of Activities  
when a Liability is incurred; they are reported in the  
Governmental Funds only when payment is due -

Depreciation is an Expenditures for the Statement of  
Activities, but is not reported in the Governmental Funds -

**Net Assets of Governmental Activities** **\$ 36,081.38**

The notes are an integral part of the statements.

**Village of Melvin**  
Notes to the Financial Statements  
For The Year Ended February 28, 2005

The accounting methods and procedures adopted by the Village of Melvin, Sanilac County, Michigan, conform to Generally Accepted Accounting Principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Village's Comprehensive Annual Financial Report.

**1. Summary of Significant Accounting Policies**

**Financial Reporting Entity**

The Village of Melvin was incorporated under the laws of the State of Michigan and operates under a Council-President form of government and provides the following services: public safety, highways and streets, sanitation, recreation, public improvements, planning and zoning and general administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Village (the primary government).

**Government-wide and Fund Statements Fund**

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Village (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

**General Fund** - The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Major Streets Fund** - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the Village. Funding is provided primarily through State-shared gas and weight taxes.

**Local Streets Fund** - The Local Streets Fund accounts for maintenance and improvement activities for streets designated as "local" within the Village. Funding is provided primarily through State-shared gas and weight taxes.

**Cemetery Fund** - The Cemetery Fund accounts for the sale and maintenance of cemetery lots. Funding is primarily provided through lot sales and grave opening fees.

**Police Fund** - The Police Fund collects money from the State of Michigan for liquor licenses and uses it to monitor the establishment's activities.

**Village of Melvin**  
Notes to the Financial Statements  
For The Year Ended February 28, 2005

**Measurement Focus and Basis of Accounting**

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Village. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

**Cash** - The Village does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Village's investments.

**Investments** - Debt securities are valued at cost since it is generally the policy of the Village to hold such investments until they mature.

**Due to and Due From Other Funds** - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Property Tax Revenues** - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

**Vacation, Sick Leave, & Other Compensated Absences** - The Village does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

**Capital Assets** - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	40 years
Buildings & Building Improvements	20 to 40 years
Machinery & Equipment	3 to 10 years

**Village of Melvin**  
Notes to the Financial Statements  
For The Year Ended February 28, 2005

**Long-Term Obligations** - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Accounting Changes**

**GASB Statement No. 34** - Effective March 1, 2004, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Village's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Village's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Village's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Village as well as assets previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

**2. Stewardship, Compliance, and Accountability**

**Budgetary Information**

The Village is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

**Village of Melvin**  
Notes to the Financial Statements  
For The Year Ended February 28, 2005

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Village actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Village Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the Special Revenue Funds are presented in the required supplemental information.

During the year ended February 28, 2005, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>General Fund</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Administration	\$ 14,085	\$ 14,159	\$ 74
Public Safety	3,020	3,641	621
Sanitation	3,720	4,270	550
Public Works	0	733	733

### 3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.



**Village of Melvin**  
Notes to the Financial Statements  
For The Year Ended February 28, 2005

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary - Trust &amp; Agency Funds</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	<u>\$ 293,666</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 293,666</u>

The Village's deposits are in accordance with statutory authority. As of February 28, 2005, the balance sheet carrying amount of cash deposits was \$293,666. The bank balance as of February 28, 2005, was \$293,666, of which \$100,000 was covered by FDIC insurance.

All cash deposits and investments of the Village are held by the Village in the Village's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

	<u>Category</u>			<u>Carrying Value</u>	<u>Market Value</u>
	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>		
Certificates of Deposit	\$ 215,763	\$ 0	\$ 0	\$ 215,763	\$ 215,763
U.S. Government Securities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Investments	<u>\$ 215,763</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 215,763</u>	<u>\$ 215,763</u>

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1 Insured or registered, or securities held by the Village or its agent in the Village's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Village's name.

#### 4. Property Taxes

The Village is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and may be paid by the following February 14.

The Village levied the following taxes:

General Government Services 7.00 mills

#### 5. Capital Assets

None

**Village of Melvin**  
Notes to the Financial Statements  
For The Year Ended February 28, 2005

**6. Deficit Fund Balance or Retained Earnings Balances of Individual Funds**

None

**7. Comparative Data**

Comparative total data for the prior year has not been presented.

**8. Long -Term Liabilities**

None

**9. Post Employment Benefits**

The Village does not provide any post employment benefits.

**Required Supplemental Information**

**Village of Melvin**  
Required Supplemental Information  
Budgetary Comparison Schedule  
General Fund  
For The Year Ended February 28, 2005

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance with Amended Budget</b>
<b><u>Revenues</u></b>				
Property Taxes	\$ 13,794.00	\$ 13,794.00	\$ 14,679.05	\$ 885.05
State Shared Revenue	13,850.00	13,850.00	15,001.02	1,151.02
Rent	300.00	300.00	285.00	(15.00)
Interest Earnings	125.00	125.00	-	(125.00)
Other Revenue	25.00	25.00	20.00	(5.00)
<b><u>Total Revenues</u></b>	<b>\$ 28,094.00</b>	<b>\$ 28,094.00</b>	<b>\$ 29,985.07</b>	<b>\$ 1,891.07</b>
<b><u>Expenditures</u></b>				
<b><u>General Government</u></b>				
Legislative	\$ 2,480.00	\$ 2,480.00	\$ 2,135.00	\$ 345.00
Executive	735.00	735.00	700.00	35.00
General Administration	14,085.00	14,085.00	14,158.98	(73.98)
<b><u>Total General Government</u></b>	<b>17,300.00</b>	<b>17,300.00</b>	<b>16,993.98</b>	<b>306.02</b>
Public Safety	3,020.00	3,020.00	3,640.74	(620.74)
Public Works	-	-	732.98	(732.98)
Sanitation	3,720.00	3,720.00	4,270.00	(550.00)
Park Maintenance	3,450.00	3,450.00	2,927.82	522.18
<b><u>Total Expenditures</u></b>	<b>27,490.00</b>	<b>27,490.00</b>	<b>28,565.52</b>	<b>(1,075.52)</b>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<b>604.00</b>	<b>604.00</b>	<b>1,419.55</b>	<b>815.55</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In (Out)	-	-	-	-
<b><u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u></b>	<b>604.00</b>	<b>604.00</b>	<b>1,419.55</b>	<b>815.55</b>
<b><u>Fund Balance - Beginning of Year</u></b>	<b>18,101.00</b>	<b>18,101.00</b>	<b>17,483.17</b>	<b>(617.83)</b>
<b><u>Fund Balance - End of Year</u></b>	<b>\$ 18,705.00</b>	<b>\$ 18,705.00</b>	<b>\$ 18,902.72</b>	<b>\$ 197.72</b>

**Village of Melvin**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Major Streets Fund  
For The Year Ended February 28, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
State Shared Revenue	\$ 23,801.00	\$ 23,801.00	\$ 28,123.26	\$ 4,322.26
County Millage	1,895.00	1,895.00	1,894.95	(0.05)
Interest Income	1,000.00	1,000.00	2,820.06	1,820.06
Other Revenue	-	-	560.00	560.00
<b><u>Total Revenues</u></b>	<u>26,696.00</u>	<u>26,696.00</u>	<u>33,398.27</u>	<u>6,702.27</u>
<b><u>Expenditures</u></b>				
Administrative	450.00	450.00	450.00	-
Highways, Streets, & Bridges	2,000.00	2,000.00	700.00	1,300.00
<b><u>Total Expenditures</u></b>	<u>2,450.00</u>	<u>2,450.00</u>	<u>1,150.00</u>	<u>1,300.00</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<u>24,246.00</u>	<u>24,246.00</u>	<u>32,248.27</u>	<u>8,002.27</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In (Out)	-	-	-	-
<b><u>Net Change in Fund Balance</u></b>	<u>24,246.00</u>	<u>24,246.00</u>	<u>32,248.27</u>	<u>8,002.27</u>
<b><u>Fund Balance - Beginning of Year</u></b>	<u>117,026.00</u>	<u>117,026.00</u>	<u>196,895.64</u>	<u>79,869.64</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ 141,272.00</u>	<u>\$ 141,272.00</u>	<u>\$ 229,143.91</u>	<u>\$ 87,871.91</u>

**Village of Melvin**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Local Streets Fund  
For The Year Ended February 28, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
State Shared Revenue	\$ 2,200.00	\$ 2,200.00	\$ 2,381.24	\$ 181.24
County Millage	1,895.00	1,895.00	1,894.95	(0.05)
Interest Income	107.00	107.00	353.11	246.11
<b><u>Total Revenues</u></b>	<b><u>4,202.00</u></b>	<b><u>4,202.00</u></b>	<b><u>4,629.30</u></b>	<b><u>427.30</u></b>
<b><u>Expenditures</u></b>				
Highways, Streets, & Bridges	1,100.00	1,100.00	850.00	250.00
<b><u>Total Expenditures</u></b>	<b><u>1,100.00</u></b>	<b><u>1,100.00</u></b>	<b><u>850.00</u></b>	<b><u>250.00</u></b>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<b><u>3,102.00</u></b>	<b><u>3,102.00</u></b>	<b><u>3,779.30</u></b>	<b><u>677.30</u></b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In (Out)	-	-	-	-
<b><u>Net Change in Fund Balance</u></b>	<b><u>3,102.00</u></b>	<b><u>3,102.00</u></b>	<b><u>3,779.30</u></b>	<b><u>677.30</u></b>
<b><u>Fund Balance - Beginning of Year</u></b>	<b><u>67,307.00</u></b>	<b><u>67,307.00</u></b>	<b><u>31,954.36</u></b>	<b><u>(35,352.64)</u></b>
<b><u>Fund Balance - End of Year</u></b>	<b><u>\$ 70,409.00</u></b>	<b><u>\$ 70,409.00</u></b>	<b><u>\$ 35,733.66</u></b>	<b><u>\$ (34,675.34)</u></b>

**Village of Melvin**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Cemetery Fund  
For The Year Ended February 28, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Grave Openings	\$ 350.00	\$ 350.00	\$ 1,050.00	\$ 700.00
Lot Sales	350.00	350.00	600.00	250.00
Interest Earnings	-	-	24.76	24.76
Other Revenues	-	-	-	-
<b><u>Total Revenues</u></b>	<u>700.00</u>	<u>700.00</u>	<u>1,674.76</u>	<u>974.76</u>
<b><u>Expenditures</u></b>				
Cemetery Expenditures	<u>3,500.00</u>	<u>3,500.00</u>	<u>3,038.00</u>	<u>462.00</u>
<b><u>Total Expenditures</u></b>	<u>3,500.00</u>	<u>3,500.00</u>	<u>3,038.00</u>	<u>462.00</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<u>(2,800.00)</u>	<u>(2,800.00)</u>	<u>(1,363.24)</u>	<u>1,436.76</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Net Change in Fund Balances</u></b>	<u>(2,800.00)</u>	<u>(2,800.00)</u>	<u>(1,363.24)</u>	<u>1,436.76</u>
<b><u>Fund Balances - Beginning of Year</u></b>	<u>9,636.00</u>	<u>9,636.00</u>	<u>10,998.87</u>	<u>1,362.87</u>
<b><u>Fund Balances - End of Year</u></b>	<u>\$ 6,836.00</u>	<u>\$ 6,836.00</u>	<u>\$ 9,635.63</u>	<u>\$ 2,799.63</u>

**Village of Melvin**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Police Fund  
For The Year Ended February 28, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
State of Michigan	\$ 247.00	\$ 247.00	\$ 247.50	\$ 0.50
<u>Total Revenues</u>	<u>247.00</u>	<u>247.00</u>	<u>247.50</u>	<u>0.50</u>
<b><u>Expenditures</u></b>				
Public Safety	250.00	250.00	250.00	-
<u>Total Expenditures</u>	<u>250.00</u>	<u>250.00</u>	<u>250.00</u>	<u>-</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<u>(3.00)</u>	<u>(3.00)</u>	<u>(2.50)</u>	<u>0.50</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In (Out)	-	-	-	-
<b><u>Net Change in Fund Balances</u></b>	<u>(3.00)</u>	<u>(3.00)</u>	<u>(2.50)</u>	<u>0.50</u>
<b><u>Fund Balances - Beginning of Year</u></b>	<u>250.00</u>	<u>250.00</u>	<u>252.65</u>	<u>2.65</u>
<b><u>Fund Balances - End of Year</u></b>	<u>\$ 247.00</u>	<u>\$ 247.00</u>	<u>\$ 250.15</u>	<u>\$ 3.15</u>



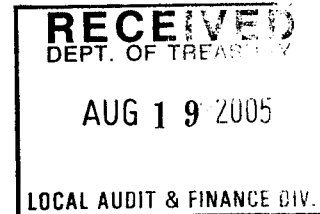
LEHN L. KING  
CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET  
MARLETTE, MICHIGAN 48453

Phone 989-635-3113  
Fax 989-635-5580

May 2, 2005

Members of the Village Council  
**Village of Melvin**  
Sanilac County, Michigan



Gentlemen:

In accordance with your request, I have made an examination of the financial statements of the Village of Melvin for the fiscal year ended February 28, 2005.

The 2004/2005 budget was not attached as part of the Village Minutes. However, the 2005/2006 budget was part of the March 7, 2005 minutes.

I thank the Village officials for the cooperation I have received in the completion of this examination. Should you have any questions in connection with the above, please contact me at your convenience.

Sincerely,

*Lehn King*

Lehn L. King  
Certified Public Accountant